

January 25, 2010

To: Assemblyman Joel Anderson

From:

Re: **AB 1506 – Support**

AB 1506 fixes a serious flaw in the state's IOU system. The concept is simple: if an individual or company has money due them from the state, the entity may use that credit towards any payment owed to the state.

In the event of a fiscal crisis, your bill would save many businesses and individuals from severe financial hardships by stopping the State from charging taxes and fees while withholding payments.

Under current state law, the public is required to accept registered warrants, or IOUs, under certain emergency circumstances. However, the state itself will not accept such securities as payment. This is a double standard that harms those hardworking public employees, taxpayers and contracted businesses caught in the middle.

Not only does receiving an IOU create serious short term cash-flow problems, it also places an onerous tax burden on many individuals and companies. While issuing IOUs may become a painful necessity at some point, the problem should not be exacerbated by requiring taxes to be paid to the state on income that the state is simultaneously withholding.

AB 1506 alleviates these problems by requiring the state to accept its own credit as payment for taxes and fees.

With continuing economic uncertainty and erosion of state revenues, it is important for California to have a fair system of payment of its debts and obligations.

I write in support of AB 1506.

Sincerely,

XXXXXXX